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5 August 1952

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OCI No. 6455  
Copy No.

280

## **CURRENT INTELLIGENCE DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

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**DIA AND DOS REVIEW COMPLETED**

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### SOVIET UNION

1. Soviet press denies existence of a "hate-America" campaign: An article in the Soviet magazine News accuses the United States of using the "mythical" Soviet-sponsored "hate-America" campaign to justify American foreign policy and keep up war hysteria.

The article contends that American political leaders as well as official spokesmen are misleading the American people by stating that the USSR is unceasingly and violently proclaiming that the United States must be hated and conquered.

The fact is, the article goes on to say, that the stories of Soviet aggressiveness are absolutely baseless. The Soviet people have always been friendly to the Americans and the Soviet Union has been steadfastly working for peace. There are in reality no insurmountable differences between the two countries. [redacted]

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Comment: The Soviet Union has been increasingly sensitive to American accusations in regard to its "hate-America" campaign. Although the Soviet campaign to "expose US aggressiveness" continues unabated, the new theme of Soviet friendliness to the American people has been added. This theme was given extensive attention at the recent meeting of the World Peace Council in Berlin.

### EASTERN EUROPE

2. MIG-15 production very slow in Polish factory: Progress in the manufacture of MIG-15's at the former State Aircraft Factory at Mielec, Poland, is very slow, according to a [redacted]

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the blueprints received from Russia, parts of which are illegible, no aircraft have yet been completed.

The factory is reportedly engaged in the assembly of three MIG-15's, the parts of which were received from Russia in February 1952. Twenty to thirty Soviet aircraft engineers are expected at the factory in the near future, and it is anticipated that normal production of the MIG-15 will start in early 1953.

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Comment: [redacted] stated that tooling-up for MIG-15 production had begun at the Mielec factory; the air frame was to be assembled in Mielec and the engines at the State Aircraft Engine Factory at Rzeszow. To date, however, there has been no evidence of jet aircraft production, although it is considered possible that normal production of the MIG-15 on a limited scale could begin in early 1953.

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3. Rumanians open new thermoelectric station: The American Legation in Rumania reports the opening of the new Doicesti thermoelectric station northwest of Bucharest. The first of several stations projected under the ten-year electrification plan, it uses Czech equipment, burns powdered lignite, and will furnish power to oil refineries and industries in the Bucharest-Campina-Brasov areas in southern Rumania.

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Comment: Czech technicians began to install generators in the Doicesti station in April 1951, [redacted]. The lignite fuel is reportedly mined on the spot. Construction plans called for the opening of the plant by the end of 1952 with a capacity of 60,000 kilowatts. Completion is scheduled for 1955, at which time the full capacity of 120,000 kilowatts is supposed to produce 300 million kilowatt-hours annually.

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4. Rumanians uncover "saboteurs" on Danube-Black Sea Canal: Rumanian security organs have reportedly discovered a band of "diversionists" who managed to get employment in the building directorate of the Danube-Black Sea Canal project. Two section chiefs and three engineers, all allegedly of bourgeois background, are charged with attempting to sabotage the construction of the canal.

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The American Legation in Bucharest reports that a similar group of "hostile elements" had been discovered on 12 July and that both groups of officials are probably being made scapegoats for the unsatisfactory progress of the canal. 25X1

Comment: Earlier last week the Bucharest radio stated that workers on the canal were increasing their "revolutionary vigilance," since there had been too many rejected parts at workshops which supply the project.

Propaganda earlier this year hailed the progress on the canal, and Director-General Gruenberg of the project wrote an article in Pravda telling of the Rumanian workers' gratitude to the Soviet Union for its assistance in the work which is supposed to be completed in 1954.

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6. Chinese railways believed poorly equipped: The Ministry of Railways in Peiping announced that China suffered an "unprecedented lack of transport capacity" in 1951. This is the clearest admission reported by the American Consul General in Hong Kong to support the widely-held belief that the Chinese do not have enough railway equipment.  25X1

Comment: Peiping has also stated that the primary mission of Chinese railroads in 1951 was "transportation of national defense supplies." This recent admission of insufficient equipment confirms that Korean war requirements have brought a considerable reduction in non-military traffic.

7. Macao reiterates need to allow strategic exports to China: The Macao Director of Economic Services has insisted to an American consular official that no item on the Battle Act list is being licensed for export to Communist China. However, he repeated his belief that the safety of the colony and the continuation of food supplies from China depended on the shipment of limited quantities of strategic goods to the Chinese Communists.

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Evidence from other sources, however, indicates that the smuggling traffic to China continues with no interference from Macao authorities. [redacted]

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Comment: The border incidents of last week are expected to stiffen the Portuguese in their contention that strategic shipments from Macao to China must continue in order to assure the safety of the colony. The Communists may bring up the question of such shipments in their current conversations with the Governor of Macao to settle the border incidents.

8.

Reports on China border situation alarm Burmese Commander: Burmese Commander in Chief Ne Win told the Assistant US Army Attaché in Rangoon that he was alarmed over reports from his agents on the Burma-Yunnan border and suspected that the "Communists may be up to something." He plans to make a special trip to that area within a few days to investigate the situation.

The Attaché believes that any Chinese Communist build-up on the border would be a threat to Chinese Nationalist troops in that area rather than to the Burmese Government. [redacted]

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Comment: There are believed to be 20,000 to 30,000 Chinese Communist troops in southwestern Yunnan. Recent reports of a movement into Burma of three Chinese-trained Burmese Communist regiments, possibly accompanied by a small number of Chinese Communist troops, may have caused Ne Win's concern.

#### NEAR EAST - AFRICA

9.

National Front moves to control Iranian armed forces: Deputy Minister of Defense General Vossough has informed the American Army Attaché in Tehran that there will be no radical reshuffling of senior military officers. The Attaché reports, however, that the Shah has agreed to the appointment of Mosadeq's cousin, Brigadier General Amini, as acting Chief of Staff. He comments that this appointment of a relatively junior officer will make the position of senior officers extremely difficult.

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The American Air Attaché notes that there is some talk of a coup among senior officers. He believes that a coup would have little chance of success once the National Front has placed its supporters in key army positions.

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10. Egyptian Prime Minister outlines his program: Prime Minister Ali Maher has told Ambassador Caffery that he will not allow the Wafd-controlled Parliament to be reconvened. He intends to discredit the Wafd, which he believes already shows signs of decay. Elections will be postponed for six months to give him time to form a new political party.

Maher also outlined agrarian and social reforms. He does not expect to resume negotiations with the British at present. He indicated, however, that he does not disapprove of participation in a Middle East defense organization and hopes that the United States will help equip the Egyptian Army.

Maher characterized some of the leaders of the military coup as hotheaded and impractical, but felt he could control them.

Comment: The Wafd, with the only well-established political organization in Egypt extending down to village level, will not easily be outvoted even if elections are postponed to permit the development of a new party.

11. French may withdraw Tunisian reform program: The Bey's convocation of a council to discuss the French-proposed administrative reorganization in Tunisia may have "killed" the program, which France may now withdraw. A Residency spokesman acknowledges that the council is representative and will appear to be a step forward, but insists that it is clearly stacked against France since all but three of the 36 members are "more or less" nationalists.

The American Consul General believes that the French are more than ever on the defensive with little room to maneuver, and that they will probably represent this council as an "irregular gambit perpetrated on the Bey by the Neo-Destour."

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Comment: The Bey's maneuver is clearly inspired by his adviser, Farhat Hached, a shrewd and competent labor leader. A sub-committee of the new council, appointed to study the French proposals, may be expected to give the program serious consideration, possibly offering to amend it rather than to reject it outright.

Should the French withdraw the reform program, the prestige of the Tunisian nationalists would be increased at home and abroad.

12. South Rhodesian native Africans now oppose federation: The two African representatives of Southern Rhodesia, hitherto silent, who attended the London Conference on Central African federation -- Northern and Southern Rhodesia and Nyasaland -- in May have just announced their opposition to the plan.  25X1

Comment: These two natives, hand-picked by the white settler government of Southern Rhodesia, were the only Africans not to boycott the conference. Their current statement solidifies African opposition to the plan in all three territories of Central Africa.

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## WESTERN EUROPE

13.

East German apathy allegedly slows Soviet plans:

East German Foreign Minister Dertinger [redacted] 25X1 attributes the "surprising mildness" of Soviet reaction to the initialing of the Paris-Bonn treaties not only to Soviet hopes that they may still not be ratified, but also to the poor response in East Germany to the call for re-armament. Dertinger [redacted] previously held that the Russians would not proceed with German armament because of their suspicions as to its reliability, but now allegedly believes that unification propaganda will be subordinated to military considerations. 25X1

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Dertinger [redacted] considers it "significant" that the opposition to rearmament in East Germany is directed not so much against military service as against the likelihood that the two German armies would be pitted against each other. [redacted]

Comment: It is unlikely that Dertinger has access to Soviet policy decisions, and [redacted] 25X1A his estimates are probably of doubtful value. 25X1

There is other evidence, however, of lack of enthusiasm among the East Germans for the present course of their government. East German propaganda appears in some cases at least to have back-fired, and it is possible that elevating the ghost of fratricidal war may have evoked a more sympathetic response in East than in West Germany.

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15. American stand on Austrian denazification issue receives limited support: The office of the US High Commissioner in Vienna believes that it has the support of the French, British, and Russian representatives in disapproving Austrian legislation which would permit former Nazis to reacquire under certain conditions property which has heretofore been returned to Nazi victims under the restitution laws. British support, however, appears to be lacking for an Allied "veto" of laws granting amnesty for implicated Nazis.

Acting Commissioner Dowling hopes to obtain a postponement of action, and in the meantime is withholding an American veto to give the Austrian Government an opportunity to pass suitable indemnification legislation for Nazi victims. With respect to existing indemnification legislation now before the Allied Commission, the US will attempt to obtain separate assurances from the Austrian Government that indemnification will be made to all United Nations nationals and not to Austrian citizens alone.

Meanwhile, announcement of American opposition to Austrian denazification and indemnification policies continue to provoke widespread criticism from the moderate and right-wing press. Anticipated American "veto" of the amnesty laws is called a violation of Austrian sovereignty and an interference that "plays into Soviet hands."

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16. Dutch in dilemma over Soviet interest in two cargo vessels: According to a Dutch government official, if the Netherlands refuses the Soviet order for four List II vessels which COCOM terms "highly strategic," it will have difficulty in explaining to the USSR its willingness to accept a Soviet re-order for two cargo vessels of a non-strategic type now under construction.

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An influential Dutch newspaper, commenting on "American objections" to the Dutch construction of two freighters for the USSR, reports that the Dutch people believe that as long as the United States "keeps out Western Europe products," Western Europe must trade with the East to "stay on its feet."

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**Comment:** There is increasing dissatisfaction in the Netherlands with United States tariff policy and East-West trade controls. Recently the Dutch Government admitted to American officials that its refusal to buy wheat in the United States was in retaliation for US tariff policy on cheese rather than because of a dollar shortage.

The Netherlands delegate to COCOM states that his government's attitude on the Soviet request for the List II ships will depend on COCOM opinion toward the proposed French export of List I items to the USSR.

17. De Gasperi reported doubtful of Nenni's intentions to break with Communists: Premier de Gasperi has never placed serious confidence in the conditional offer or ability of Italian Socialist leader Nenni to separate his party from the Communists,

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Nenni reportedly told De Gasperi last spring the Socialists would run on a separate ticket from the Communists in the 1953 national elections, provided the proportional representation system were retained.

To prevent what he regards as a trend of the government to the right, Nenni allegedly believes an attempt should be made to reduce fear of the extreme left. He fears that his party would experience mass high-level defections and might even face political suicide if it were to run on a joint ticket with the Communists under the government's proposed electoral law.

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**Comment:** As recently as 14 June, Nenni told his party's central committee that the Socialists and the Communists would campaign separately in the 1953 elections if the proportional system were retained. The government, however, appears determined to insure continued Christian Democratic control of Parliament by pressing for passage of a law providing for majority representation by means of the bloc system.

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18. Italian neo-Fascists maintain uneasy unity in party congress: The neo-Fascist Italian Social Movement (MSI) has maintained precarious unity in its first congress after the spring elections when, in alliance with the National Monarchist Party in the south, it made heavy gains. Party Secretary de Marsanich and a conservative group managed to dominate the basically incompatible factions in the congress. Fear of government suppression may have helped curb "extreme rhetoric," the American Embassy believes.

While expressing preference for the "republican system," the congress left the way open for renewal of an electoral alliance with the monarchists. It denounced the government's land redistribution program, but advocated "organic agrarian reform." The congress refused to support the Atlantic Pact unless the Italian peace treaty is completely repudiated and Italy regains all its lost territories.

The Embassy comments that, despite the "radical" tone of MSI propaganda, the congress supported right-wing elements on every issue. The Embassy believes that some extreme left-wingers and also some monarchists may yet withdraw from the party.

Comment: The neo-Fascists, in alliance with the monarchists, can count on the support of from 10 to 15 percent of the total electorate. In the south their strength is much larger.

The party's northern faction, intensely loyal to the doctrines of Mussolini's war-time Social Fascist Republic, is antimonarchical and favors a corporative economy. The southern faction supports a political alliance with the monarchists and is generally conservative in economic theory.

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20. Swedish dollar imports cut: The Swedish press reports that a reduction in dollar earnings has forced Sweden to reduce its imports from dollar areas in the last half of 1952 from \$90,000,000 to \$70,000,000 or \$80,000,000. The reduction will affect coal, chemicals, and copper, but not petroleum. Since "gray dollar" imports and imports for the armed forces are not included, actual imports may exceed the contemplated figure.

The American Embassy estimates that a reduction of dollar imports on the scale reported by the press could have "significant effects on the economy."

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Comment: Sweden had planned to import \$200,000,000 worth of goods from dollar areas during 1952. The new plan calls for a total of \$160,000,000 to \$170,000,000. The fall in the demand for and the price of paper and pulp largely accounts for the decline in Swedish earnings of convertible currency.

#### LATIN AMERICA

21. Nicaraguan president to visit Dominican Republic: General Somoza is planning a goodwill trip to the Dominican Republic to greet General Rafael L. Trujillo. Somoza will ask the House of Representatives for permission to remain absent as long as necessary to carry out this mission.

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Comment: Somoza reportedly may attend the Dominican presidential inaugural ceremonies on 16 August when General Hector B. Trujillo, brother of the present President, will assume office. He may be extended an invitation to visit Haiti at this time, and reports also indicate that he may later undertake a goodwill tour of Panama and South American countries.

The reported trip serves to emphasize once again the close ties among military dictators in the Caribbean area.

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CIA No. 49763  
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**TOP SECRET SUPPLEMENT**

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GENERAL

1. Iranians planning to attend "Leipzig Economic Conference":  
25X1 an Iranian committee headed by a delegate to the Moscow Economic Conference is preparing to attend a "Leipzig Economic Conference" scheduled for early September as a follow-up to the Moscow conference.

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Comment: The international trade fair at Leipzig, scheduled for 7 to 17 September, will afford an opportunity for renewed Soviet trade propaganda. East German broadcasts have claimed that the fair will permit Western representatives to see that the Soviet bloc nations "are ready to trade in all directions."

FAR EAST

2. French general details plan for airborne operation in Indochina: General Salan, French commander in Indochina who is currently visiting France, told General Gruenthal of SHAPE on 31 July that under present conditions he could hold the Tonkin delta but, because of a lack of transport aircraft, he would be unable to strike an offensive blow at the Viet Minh. Salan stated that he now has airlift for only one of his eleven parachute battalions; he therefore needs sixty C-119's in order to drop six battalions in the rear of a Viet Minh division on the northeastern edge of the delta perimeter. 25X1

Comment: Ambassador Heath in Saigon reported recently that Salan's principal purpose in visiting Paris is to persuade officials there to send him transport aircraft and crews necessary for offensive operations outside the Tonkin delta this fall and winter.

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According to Heath, Salan would be satisfied with a temporary loan of additional men and materiel, thus obviating the need for further discussions on more US aid to France.

The Viet Minh division referred to by Salan is presumably the 316th.

NEAR EAST - AFRICA

3. Italy wants West to back nationalist aspirations in Middle East: The Secretary General of the Italian Foreign Office, who believes that a serious situation in the Middle East has been created by Communist exploitation of nationalist sentiments, states that the West should assist rather than oppose these "nationalist movements and aspirations." He based his recommendations on reports from the Italian Embassies in Cairo and Tehran.  25X1

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Comment: This proposal, along with Italy's constant urging for the popularization of a united Europe, demonstrates Italy's belief that the West needs a more positive program to combat communism effectively. It is also based on the desire to enhance Italian prospects for industrial penetration of and emigration to the Middle East.

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Approved For Release 2002/08/21 : CIA-RDP79T01146A001100290001-9

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